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In Letter to Secretary Chu, Lawmakers Request Changes to Energy Department Guidelines Regarding Recovery Act Funding

WASHINGTON — U.S. Senator Tom Udall and U.S. Representative Ben Ray Luján are asking Energy Secretary Steven Chu to change the guidelines that dictate how funding for Smart Grid initiatives will be allocated under the American Recovery and Reinvestment Act (ARRA). In a letter to the Secretary, the lawmakers propose changes that would make Smart Grid funding programs more flexible and more accessible to states, like New Mexico, that would like to initiate ambitious and innovative Smart Grid projects but do not have large cash reserves.

“New Mexico has been a leader in developing the big ideas we need to transform America’s energy infrastructure,” said Udall. “Unfortunately, the current Energy Department rules would make it difficult for our state, and others like us, to make the kinds of innovations that will create jobs in the clean energy industries of the future. We urge Secretary Chu to consider our recommendations and adopt a fairer, more innovation-friendly blueprint for the Smart Grid program.”

“Renewable energy development is critically important to job creation and a clean energy economy in New Mexico,” said Luján. “To continue our role as a leader in an innovative, clean energy economy, New Mexico needs a robust and efficient Smart Grid that is uniquely tailored to the needs and requirements of our state. New Mexico should have a fair chance to benefit from the Department of Energy Smart Grid grant program that allows greater innovation and investment. I am hopeful that the Department of Energy will consider our concerns and establish guidelines that will allow New Mexico to be a leader in a clean energy economy.”

The lawmakers asked that funding under the Smart Grid Investment Program be made available in amounts larger than \$20 million, with state and local partners required to contribute less than 50 percent of a funded project's cost. They also requested that funding under the Smart Grid Demonstrations program be a larger proportion of the total Smart Grid funding, that it be made available in larger amounts, and that applicants for demonstration funding be allowed to apply for multiple grants from different subprograms.

The following is the text of the letter Udall and Luján sent to Secretary Chu:

Dr. Steven Chu

Secretary of Energy

U.S. Department of Energy

1000 Independence Ave., S.W.

Washington, D.C. 20585-0002

Dear Secretary Chu:

RE: Proposed Guidelines for DOE Smart Grid Grants

Thank for your work on the development and deployment of a smart electric grid and other renewable energy and transmission initiatives. We are writing to draw your attention to three serious areas of concern regarding the Department of Energy's (DOE) recently released guidelines for the Smart Grid Investment Grant Program (DE-FOA-0000058A) and Smart Grid Demonstrations (DE-FOA-0000036) authorized under Title XIII of the Energy Independence and

Security Act and funded by the American Reinvestment and Recovery Act of 2009 (P.L. 111-5). These concerns are based on those expressed by the State of New Mexico and the variety of community groups and businesses that are collaborating in New Mexico's Green Grid Initiative and other smart grid efforts.

Modernizing our electric grid will require more than support for utility efforts to deploy smart meters. In both of its smart grid grant programs, DOE should prioritize projects that advance an integrated smart grid. These funds should support deploying equipment and conducting the analysis essential to take advantage of smart meters and truly manage electricity infrastructure for maximum consumption and distribution efficiency. We recommend the Department strongly consider adopting changes in the final guidance in the following three areas:

1. Federal smart grid funding under the Smart Grid Investment Grant Program should be available in amounts larger than the proposed \$20 million maximum to support large projects that are able to meaningfully contribute to the rapid development and deployment of *integrated* smart grid technologies. New Mexico's Green Grid Initiative seeks to create a series of micro-grids in discrete zones with a suite of technologies that optimize consumption with renewable energy resources to further reduce utility system demand. Demonstration scale, integrated projects require greater resources per project than limited roll-outs of limited technology.

2. DOE should reduce the proposed 50% cost-share requirement for large scale projects under the Smart Grid Investment Grant Program and the Smart Grid Demonstrations. A 50% cost-share only allows for major projects in large states with budgetary reserves or where large electric utilities are heavily investing in smart grid. These assumptions are at odds with Congressional intent to provide federal support for major smart grid projects since the private sector alone was not delivering deployment. At a minimum, DOE should allow flexible matching approaches that allow in-kind or other matching contributions. New Mexico's utilities, rural cooperatives, state and local governments, and other organizations have already contributed significant resources to developing a smart, renewable energy-friendly grid in New Mexico.

3. DOE should ensure that the Smart Grid Demonstrations grant program fully supports integrated smart grid projects, by considering three changes to that program. *First*, DOE should reconsider the decision to allocate only 15% of the smart grid funding Congress provided (\$615 million out of \$3.99 billion) for Smart Grid Demonstrations, of which less than half is expected to fund 8-12 regional demonstration projects at \$5 million to \$40 million each, according to DOE's Funding Opportunity Announcement.

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, DOE should also consider higher maximum project awards. While DOE did not officially propose a maximum award limit for Smart Grid Demonstrations, their guidance indicates DOE contemplates maximum grants of \$20 million to \$40 million for demonstrations with investor-owned utilities. Truly integrated, regional smart grid demonstration projects are likely to require significantly greater funding, and may involve a mix of utility ownership types.

Finally

, to further incentivize integrated projects, DOE should also ensure that single applicants are permitted to apply for and receive multiple awards across the three Program Areas of Interest of the Smart Grid Demonstrations: Regional Demonstrations, Synchrophasors, and Utility-Scale Energy Storage.

Thank you for your consideration of these concerns as you finalize the guidance for the Department's Smart Grid Investment Grant Program and the Smart Grid Demonstrations. We look forward to working closely with you on this and other important Department of Energy initiatives.

Sincerely,

Senator Tom Udall

Congressman Ben Ray Luján